

Internal Operating POLICY

Section: Office of the Controller

Subject: Auditing Invoice Payments for NCAS

Approved By: DENR Secretary

Number: AP - 1

Eff. Date: March 1, 1992 Revised: January 1, 2013

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Policy

The policy of the DENR Controller's Office is to have all invoices, including backup documentation, proper coding, and proper authorizations/approvals, audited for accuracy to ensure that all Department financial transactions are processed in accordance with rules and regulations established by the Office of the State Controller, Office of State Budget and Management, federal regulations, North Carolina General Statutes, the Department of Environment and Natural Resources, and sound accounting principles.

Invoice auditing should be completed by the preparer, the approver, as well as all A/P specialists, if 3 different employees perform these duties.



Internal Operating PROCEDURES

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Auditing Invoices

The Cash Disbursement Code Sheet (CDCS) is prepared by the designated personnel *after* verifying that the merchandise was received.

The term 'accounts payable specialist' will be used throughout these procedures. This includes any division personnel performing an accounts payable function.

These instructions will refer to the use of the Cash Disbursements Code Sheet; however, divisions are given the option of using the form or an invoice stamp to denote the accounting information.

Use of an invoice stamp does not exempt the division from ensuring that all necessary A/P information is provided, such as 1099 codes, NC OpenBook indicator codes, purchase order info, etc.

Notification of receipt *is required* and must be indicated on invoices for the *purchase of goods*. The information that must be shown is "Received", date of receipt, and signature of receiver. Notification of receipt *is not required* to be indicated on invoices for *services*, but the dates of service are to be indicated.

Auditing Invoices (Cont)

The *completed* Cash Disbursement Code Sheet along with **original invoice** is to be forwarded to the Accounts Payable specialist after approval for payment is obtained. Invoices received electronically via e-mail directly from the vendor may also be considered 'original' invoices. (See detailed instructions for completing the Cash Disbursements Code Sheet in the Forms Section of the manual.)

In order for the code sheet to be considered complete, the **Vendor Number** and **Group Number** must be supplied.

Approval for payment must be provided by the authorized Division personnel or the code sheet **cannot** be processed for payment.

The printed name of the preparer is allowed as long as it is also accompanied by the preparer's signature. The approver must be a separate individual who is authorized to approve payments and has a current Signature of Authority form on file in the Controller's Office. The printed name of the approver will also be allowed as long as it is accompanied by the approver's signature as well.

- 1. The Preparer and Approver audit the code sheet for completion.
 - a. The specialist verifies that the purchase is in compliance with the regulations set forth in the Purchase and Services Operating Procedures Manual. If the purchase was not in compliance with the regulations, authorization is required from Purchase and Services before payment can be made.
 - b. The indicated charges are verified against the invoice to ensure that the correct amount is paid and any applicable discounts are taken.
 - c. The vendor name shown on the code sheet is verified against the invoice to ensure that the correct "remit to" address has been indicated.
 - d. If the purchase relates to a Purchase Order (PO), the PO number, each line number (including amount) are listed in the designated PO box so that the PO can be matched to reduce the encumbrance(s).

This step may be omitted if the invoice comes directly to the Controller's Office for processing based on the address change for DENR's 16PT vendors in the new e-Procurement system.

- 2. The Preparer, Approver, and A/P specialist audit the accounting codes on the code sheet for accuracy.
 - a. Ensure that the correct account number is used to reflect the purchase in accordance with the Chart of Accounts (COA).
 - b. Verify that the account is valid, shows on the COA, and the required documents are attached to the accounting code sheet as listed below:
 - Completed Cash Disbursements Code sheet
 - Original invoice
 - Authorization forms, telephone quotes, time sheets, copy of advertisement, or memo requesting prepayment (when required by the DENR Operating Procedures Manual)

Note: If you do not submit copies of backup paperwork, the division will insure that backup is available in hard copy format or electronic format for the appropriate retention period for auditing purposes.

- c. Verify that the correct 1099 code is indicated, if applicable. (See 1099 code policy)
- 3. The A/P specialist audits the code sheet for approvals and accuracy.
 - a. If any part of Steps 1 or 2 are omitted, the accounting code sheet will not be able to be processed until the required information has been received thereby delaying payment to the vendor.
 - b. Verify that the required signatures are on the accounting code sheet and the invoice.
 - preparer's and division's approval on the accounting code sheet
 - signature of receiver and date of receipt on the invoice as required by the State Auditor's Office
 - c. Verify the remittance address against the invoice and indicate changes on the code sheet when necessary (this can be done when entering data into NCAS).
 - d. Ensure the correct invoice number is applied to the accounting code sheet in the proper location (this can be done when entering data into NCAS) and that the invoice number is entered in proper format (see Control Group Entry Policy).

- e. If a remittance copy is required by the vendor, please ensure a message is keyed in the remittance field so that the documentation can be attached to the check prior to mailing.
- 4. According to the State Budget Manual, Section 4.1, "Discounts are due to be taken by a certain number of days after goods or materials are received in good and proper condition or by a certain number of days after invoices are received if determined to be in the best interest of the State. The level of interest rates should be a major consideration. Discounts, if taken, should be taken within the discount period. If discounts are taken, vendors are entitled to payment within this period. Most state contracts and purchase invoices provide for the discount period."